



USDA Foreign Agricultural Service

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## Mexico

### Livestock and Products

## BSE Update

2004

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**Report Highlights:**

Mexico banned imports of beef and cattle on December 24, 2003, following the detection of Bovine Spongiform Encephalopathy in the State of Washington. Mexico is a major importer of U.S. beef and retail beef prices are up 20-40 percent since the ban. Many market segments are scrambling to find alternate suppliers or provide consumers with alternate products. Middle-income consumers are expected to shift to pork and poultry, while lower-income consumers could shift to dry beans.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

## Mexico Implements BSE Import Restrictions

On December 24, 2003, the Government of Mexico banned imports of cattle, beef and certain related products following the detection of Bovine Spongiform Encephalopathy in Washington State. Imports of the following products are currently banned.

- Live cattle
- Bovine meat
- Bovine viscera
- Bovine offal
- Bovine meat preparations
- Products derived from non-protein-free tallow
- Gelatin and collagen prepared from bone
- Ruminant meal

The following products are exempt from the ban.

- Milk
- Dairy products
- Semen
- Embryos
- Protein-free tallow
- Dicalcium phosphate (DCP)
- Skins and hides
- Gelatin and collagen obtained from hides and skins

## Mexican Market Reaction

U.S. beef accounts for about 85 percent of Mexico's total beef imports and imports account for an estimated 20-25 percent of consumption. Consequently, the recent ban on imports of beef and bovine products has had an immediate affect on prices and supplies in market segments that are most dependent on imports. While there is no daily or weekly source for beef market prices in Mexico, trade sources indicate that retail prices for beef and related products are up 20-40 percent over the past few weeks and are continuing to rise. Mexican buyers point out that supplies in countries like Chile, Uruguay, Australia, and Canada are limited and will not come close to filling the void created by the current ban. Domestic beef producers are saying they can fill the void. A brief summary of the current status in key market segments follows.

### Supermarkets

Supermarkets are becoming increasingly important as food retailers, accounting for about half of all beef sales in Mexico. Supermarkets tend to prefer the quality, consistency, and ease of handling provided by imported U.S. beef cuts. Beef in Mexico is typically marketed as whole carcasses, requiring more butchering and purchasing of unwanted cuts and parts. Additionally, carcasses tend to be mixed (i.e., no differentiation between steers and culled dairy cows) which makes quality and consistency a real concern for supermarket buyers. Buyers are also concerned about the reliability of domestic suppliers.

Supplies of imported U.S. beef will run out on or about January 12 at one major national supermarket chain. In addition to the absence of certain cuts, prices are at or near the point where retailers anticipate that consumers will seek to substitute other products for beef. Consumers are returning from their Christmas holidays during which poultry is typically preferred and are likely to be surprised by the poor availability and price of beef.

Retailers are preparing to offer more pork and poultry products, which are currently 30-40 percent cheaper than beef for some popular cuts. Middle class consumers who frequent supermarkets are expected to shift to pork and poultry.

Supermarkets are also expected to use their market power to bid for much of the domestic beef supply, which could hurt small butchers and stores who are unable to compete for domestic carcasses.

#### Hotel, Restaurant, and Institutional

U.S. beef typically accounts for 80-90 percent of the beef supplied to this market segment. Supplies of U.S. beef imported prior to December 24, 2003, are dwindling fast and distributors to restaurants and hotels are struggling to find alternative supplies. Additional imports may come from countries such as Canada and Chile and some business may shift to the domestic market, but quality and consistency are a concern for suppliers. Many buyers may simply have to alter their menus and do without until the ban is lifted.

#### Offals

Mexico is one of the world's largest consumers of offals and lower income consumers often depend on offals and lower quality cuts of beef as inexpensive sources of protein. In some areas of the country, 50 percent of the offal supply is imported. Supplies of imported offals are running low and one major importer expects to run out of imported offals during the week of January 12. Consumers in this segment are expected to shift to inexpensive sausages and lower quality pork products as well as dry beans.

#### Pet Food

In the days immediately following the ban, Mexican officials expressed some concern that customs agents were changing pet food labels at the border to indicate that products were derived from non-bovine meats. In response, an informal policy of testing all pet foods to determine the species was implemented. Shipments were to be detained until test results were final (24-36 hours). Officials now indicate that as long as pet food arrives with its original plant labels and the proper certification indicating that the pet food is made from something other than banned bovine materials, shipments will not be detained for species testing.